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Message Text

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PAGE 01 ROME 03543 280709Z
ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 EB-08 /031 W
----------059462 280712Z /13
R 241730Z FEB 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC 851
USDOC WASHDC
AMEMBASSY JIDDA

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E.O. 11652: N/A
TAGS: BENC, BEXP, IT
SUBJECT/ ASSISTANCE ON PIPELINE CONSTRUCTION CONTRACT - SAUDI ARABIA

REF: A) ROME 1328 (NOTAL) B) USDOC 02659 (NOTAL)

1. AS RESULT OF VISIT TO U.S. BY TOP-LEVEL ITALIAN PUBLIC SECTOR BUSINESS GROUP PER REFTELS, EMBASSY HAS BEEN APPROACHED BY US-ITALIAN JOINT VENTURE FOR ASSISTANCE IN LANDING $230 MILLION CONTRACT FOR PIPELINE CONSTRUCTION IN SAUDI ARABIA.

2. CONTRACT AT STAKE IS BEING LET BY PETROMIN, WITH MOBIL OIL AS CONSULTING ENGINEERS ON PROJECT. OUR SOURCES STATE THAT THERE ARE THREE TOP BIDDERS: (A) ITALIAN/US JOINT-VENTURE, MONTUBI/BROWN AND ROOT, WITH ITALIAN MONTUBI HOLDING 70 PER CENT AND BROWN AND ROOT 30 PER CENT OF SHARE; (B) ENI/SNAM PROGETTI AND (C) TECHINT (BOTH B AND C ARE ITALIAN COMPANIES). MONTUBI/BROWN AND ROOT BELIEVE THAT RIVAL ENI/SNAM BID SLIGHTLY LOWER THAN THEIRS, BUT STATE THEIR BID IS ALL-IN-CLUSIVE I.E., IT ENCOMPASSES COMPLETE GOODS AND SERVICES.

3. ACCORDING OUR INFORMATION, MONTUBI/BROWN AND ROOT BID ONLY TOP CONTENDER INVOLVING PARTICIPATION BY US COMPANY. MOREOVER, THIS BID REPRESENTS TYPE OF COOPERATION ITALIAN/US INDUSTRY
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PAGE 02 ROME 03543 280709Z

AND TECHNOLOGY WE BELIVE ENVISAGED IN CARTER-ANDREOTTI TALKS LAST JULY, AS WELL AS JOINT EFFORTS THIS MISSION ADVOCIATES TO STRENGTHEN US-ITALIAN ECONOMIC TIES.

4. EMBASSY RECOMMENDS APPROACH TO SAUDIS ON BEHALF OF MONTUBI/BROWN AND ROOT, EXPRESSING USG INTEREST IN THIS CASE, SUGGESTING THAT SAUDIS TAKE INTO ACCOUNT

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ALL FACTORS OF BID, INCLUDING OUR UNDERSTANDING THAT MONTUBI/ BROWN AND ROOT BID ENCOMPASSES WIDER SCOPE THAN COMPETITIVE BIDS, AND COMBINATION OF US ENGINEERING AND TECHNOLOGY WITH A LEADING PIPELINE CONTRACTOR.

5. EMBASSY WOULD APPRECIATE BEING ADVISED WHAT ACTION IS TAKEN ON THIS MATTER.GARDNER

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